



Director of  
**Central  
Intelligence**

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## USSR: Ustinov's Interview

*Defense Minister Ustinov's interview with TASS yesterday was intended both as the authoritative Soviet response to President Reagan's arms control speech last month and as an effort to spur international criticism of US defense and arms control policies.*

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Ustinov threatened that if the US proceeds with the deployment of MX, the USSR will deploy a similar ICBM. He condemned the "dense pack" concept as a violation of the SALT agreements and rejected US counterarguments as "deliberate lies." He further affirmed that a US decision to defend MX with an antiballistic missile system would be a "direct breach" of the ABM Treaty if the US chose to relocate its designated ABM site from Grand Forks to another ICBM complex.

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Ustinov may be seizing on the US MX decision to put the onus for the arms race on Washington by portraying Moscow's missile program as a justified and necessary response. His assault on alleged US ABM plans are similarly designed to call US arms control motives into question. Although the US noted in a Common Understanding to the ABM Treaty that its ABM system would be located at Grand Forks, the treaty itself allows each side to defend either its capital or an unspecified ICBM complex.

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The choice of Ustinov to respond directly to President Reagan's speech in such a lengthy and specific rejoinder suggests that the Defense Minister may be emerging as the new regime's principal spokesman on defense issues--a role formerly assumed by Brezhnev. In a separate address to a Soviet military audience yesterday, Ustinov similarly warned that Moscow would respond to US weapons programs. At the same time, he noted that existing Soviet military might is "sufficient" to meet the current challenge from the US--perhaps suggesting a leadership effort to preempt pressure to increase defense spending in response to US programs.

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# EAST GERMANY: Financial Prospects

*Strong austerity measures have improved East Germany's trade balance, but it still may need to reschedule its debt repayments.*

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East Berlin in recent months has cut imports substantially and has increased exports somewhat to reduce its need for loans. Party leader Honecker late last month announced a trade surplus of over \$1 billion for the first 10 months of 1982, the best report of his 12 years in office.

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//Despite the surplus and punctual repayments of its debts, East Germany has only limited access to Western credit.

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Comment: East Germany has managed to avoid a liquidity crisis this year by drawing down reserves, improving its trade performance, and refinancing about half of its debts falling due. The situation could be more precarious next year, however, because much of East Germany's maturing debt apparently has been converted into shorter term obligations, its reserves are dwindling, and Western bankers--except perhaps those in West Germany--remain cool.

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With debt service payments equal to 69 percent of annual foreign exchange earnings, East Berlin probably will have to adopt even harsher austerity measures in the months ahead to persuade Western bankers of its creditworthiness.

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#### USSR - SAUDI ARABIA: Foreign Ministers Meet

An announcement in *Pravda* on Saturday reported the meeting the day before between Foreign Minister Gromyko and Foreign Minister Saud, who was a member of the visiting Arab League delegation. The one-line report gave no indication of the atmosphere or the subjects discussed. Saudi media have given extensive coverage to Riyadh's participation in the delegation and have stressed the need for a "constructive" Soviet role in the Middle East.

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Comment: //Moscow presumably is extremely pleased with this first high-level Soviet-Saudi contact since diplomatic relations were suspended in the 1930s. The circumspect treatment of the meeting probably was in deference to Saudi sensitivity about such contacts and may represent a gesture of good will toward Riyadh. Saudi leaders hope their involvement in the talks in Moscow will prod the US into moving the peace process forward and will deflect domestic and foreign Arab criticism that Riyadh is too accommodating toward Washington.//

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#### USSR: Personnel Changes

TASS yesterday announced the replacement of Komsomol chief Boris Pastukhov by a deputy, Viktor Mishin. Pastukhov replaces the head of the Soviet publishing organization, who is being given another job. These shifts and rumors of impending changes involve the propaganda bureaucracy, which was under the direction of party secretary Suslov until his death last January.

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Comment: General Secretary Andropov presumably approved of the changes, but it is not known whether he instigated them. A Western journalist's report that some members of Brezhnev's personal staff have been relieved as assistants to the General Secretary is another indication of Andropov's progress in assembling his own team.

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USSR-CHAD: Possible Reopening of Soviet Embassy

The Soviet Charge to Chad, who resides in neighboring Cameroon, visited N'Djamena last week and hinted to the US Ambassador that Moscow soon plans to reopen its embassy, which has been closed since the spring of 1980. The Charge added that he met with a Foreign Ministry official and that he believes President Habre's prospects for remaining in power are good. [REDACTED]

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Comment: Although the Soviets backed former President Goukouni's regime and have no illusions about Habre's pro-Western sentiments, they now seem resigned to dealing with his government. Reopening their Embassy at this time, however, probably would strain relations with Libya. Libyan leader Qadhafi is increasing military aid to Goukouni's rebel forces in northern Chad. Moscow might be skeptical about Qadhafi's capabilities and fearful that another Libyan intervention in Chad would provoke greater US and French involvement there. [REDACTED]

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AUSTRALIA: Early Election Possible

//The government's unexpected victory in an important parliamentary byelection has revived speculation that Prime Minister Fraser may call an early national election between March and May 1983. The election result also is prompting talk in the opposition Labor Party again about a leadership change, with Bob Hawke--the most popular political figure in Australia--seeking to replace party leader Hayden.//

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Comment: //Fraser may decide to capitalize on what he sees as the voters' rejection of the Labor Party. Political observers had been speculating that Fraser would prefer to complete his term of office which ends next November, in hopes of an improvement by then in the economy. If he decides to go to the polls early, Fraser probably will wait until after the summer holiday season ends in late January. Constitutional provisions against elections in the final six months of a government's term would preclude a contest after May.//

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ARGENTINA: General Strike

An estimated six to nine million workers participated in a nationwide work stoppage yesterday, according to unconfirmed press reports. Buenos Aires was paralyzed as public transportation remained idle and factories and shops closed, although no violence or large demonstrations were reported. Late yesterday President Bignone reportedly met with key ministers.

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Comment: The success of the strike will embolden opponents of the regime, complicating political and economic planning. Labor and political leaders will use the strike's broad backing to build support for additional demonstrations this month, and calls for early elections--now tentatively scheduled for late next year--will intensify. These leaders have already rejected the military's proposal for an agreement on key economic and political issues, and they now will be even less willing to negotiate. Moreover, concessions to workers on wage and benefit increases could adversely affect negotiations with foreign lenders who are requiring austerity measures as a condition for additional loans and credits.

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